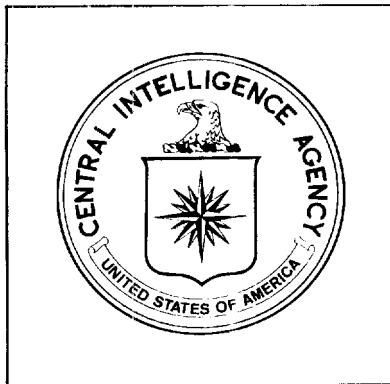


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WESTERN EUROPE -- CANADA -- INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Political Maneuvering in Turkey on Eve of US
Bases Negotiations

With negotiations on the status of the US bases scheduled to begin next week, Turkish Prime Minister Demirel is still trying to reach a consensus within his fractious coalition that would allow him to act decisively on both the bases issue and the Cyprus problem.

The National Security Council met on October 20--with the most troublesome coalition partner Necmettin Erbakan present--to review policy options on pressing foreign policy matters. The Council agreed to recommend opening talks with the US on the bases and to try again for a solution to the Cyprus problem.

The cabinet has not yet considered the Council's recommendations. It is possible, however, that when a cabinet meeting is finally held, Erbakan--feeling on stronger ground than in the Security Council--may still raise objections to the Council's recommendations.

Erbakan appears determined to maintain his obstructionist position within the government despite his party's substantial losses in the recent mid-term senatorial elections. According to [redacted] relations between Demirel and Erbakan have deteriorated since the election. Erbakan's party has openly threatened to boycott cabinet meetings until Demirel accepts the party's conservative policies reiterated by the leadership on October 20.

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That threat, which was accompanied by Erbakan's reiteration of his uncompromising position on Cyprus, sparked a wave of speculation about the possible break-up of the coalition. The government will probably survive, but there is likely to be continued bickering between Demirel and Erbakan in the coming weeks, with the Prime Minister's ability to act decisively hanging in the balance.

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1 Demirel is trying to reduce Erbakan's influence
in the coalition by wooing dissident parliamentary
deputies from minor parties on the right--including
Erbakan's. According to [REDACTED] Demirel
is also considering ways to foster a split between
2 Erbakan and Minister of Agriculture Ozal, who re-
portedly opposes Erbakan's hard line and controls
nearly half of Erbakan's parliamentary contingent.
3 Demirel is, unlikely, however, to win enough support
through these maneuvers to offset the possible de-
fection of Erbakan from the coalition. As a result,
4 the Prime Minister reportedly is also considering
offering more ministries to Salvationist deputies
5 in exchange for a softening of Erbakan's position
6 on the Cyprus question.

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1 In approaching sensitive foreign policy issues,
Demirel will also be keeping an eye on both opposition
leader Ecevit and the military. Ecevit's strong
showing in the election may make him more aggressive
4 and reluctant to give Demirel the latitude he needs
5 to deal decisively with these problems. Their views
on Cyprus are not far apart, but Ecevit continues to
take a hard line on the US bases.

1 The military wants to consolidate gains made
last summer on Cyprus, restore relations with the
US and ease Turkey's sense of international isolation.
Military leaders generally agree that the government's
continuing inaction is exacerbating these already
sensitive problems. They may already have put pres-
sure on the politicians--Demirel in particular--to
reach some solution on the Cyprus issue and move to
normalize relations with the US. (SECRET NOFORN/
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NATO and Arms Standardization

At a meeting on Wednesday which had been expected to approve implementation of the Alliance's new arms standardization initiative, the NATO ambassadors decided to defer action pending clarification of a collective European position. The formal cause for the delay was the uncertainty surrounding French conditions for participation in the effort. What really underlies the European hesitation, however, is a continuing fear--shared by all the allies--that unless modified, the arms standardization program could ultimately enhance US domination of Europe.

The effort to standardize conventional armaments among the allies is as old as the Alliance itself. The endeavor has recently drawn new life from a unique conjunction of political, strategic and economic conditions. The onset of strategic parity and the modernization and reinforcement of Warsaw Pact conventional capabilities in Europe have highlighted the need to strengthen the Alliance's ability to resist a conventional attack. The economic difficulties encountered by the West, coupled with the rising cost of military hardware, have made the idea economically more attractive. Finally, precarious conditions on NATO's southern flank have lent real urgency to the need to shore up the Alliance.

The Europeans have generally welcomed indications during the past year that the US, in proposing to buy more of its weapons in Europe, would be willing to end its predominance in trans-Atlantic arms trade and encourage the development of a technologically and economically competitive European arms industry. Apart from the economic benefits expected to flow from such an arrangement, this prospect was especially

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appealing to Europeans who fear that detente would eventually lead to their permanent subordination to the US.

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At this week's meeting, however, French ambassador de Rose expressed concern that the present American terms for US purchases in Europe would not in fact inject balance into the trans-Atlantic arms trade. The key issue is the apparent US requirement that European hardware, to qualify for purchase by the US, meet strict standards of quality and economy. The French complain that Europe still lacks the organization to enable it to compete on equal terms with the US and that the US condition thus implies a degree of European political and economic unity that does not yet exist. The French would clearly like the strict US economic requirements relaxed and some form of subsidy for European industry introduced to encourage the cooperative steps that will make equal competition possible. As the French see it, participation in the trans-Atlantic arms trade would otherwise threaten the eventual reduction of European industry to a state of substantial technological dependence.

Although the French were in the forefront of the Wednesday discussion, others clearly share their views. The official NATO proposal presented to the ambassadors sought to characterize the effort merely as an initiative on reciprocal arms sales rather than one embracing co-production arrangements which would require a collective European industrial base. This position reflects a general European desire to await evidence that the US plans to deliver on its promises to increase its purchases of European equipment. Without such evidence, other Europeans have indicated that the "two-way street" might only tempt the Europeans to exploit the US initiative for short-term economic advantage.

The fact that France has raised these arguments puts the question in its most acute form--a fact surely

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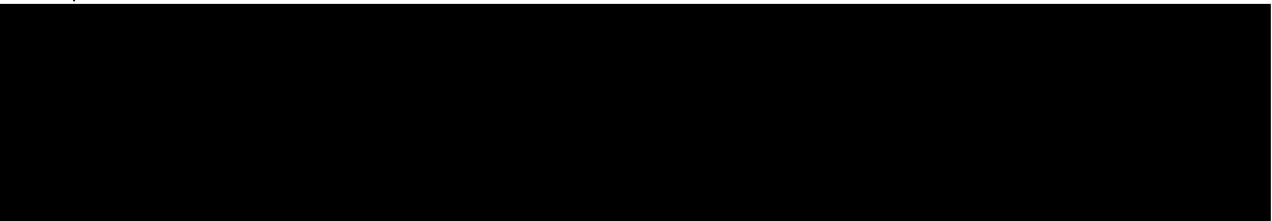
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not lost on France's European allies. For without the participation of France's sizable arms industry, the effort to organize a competitive European arms program is likely to suffer. Pressure on France by its European allies to step up its cooperation in this area with the Alliance is also likely to subside until there are signs that a collective effort would benefit all of them.

1
2
The allies will meet again on November 12, after the European members have met in the Eurogroup forum to complete their response to the official NATO proposal. The allies also hope to receive more information regarding the terms of French participation. Further discussion focusing on how the US intends to interpret the "two-way street" can be expected at that meeting.

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Icelandic Women Strike!

Over 90 percent of all employed women in Iceland stayed at home today to demonstrate their importance to the national economy. Many housewives also reportedly are taking the day off.

The work stoppage has had a major impact. Most stores simply decided not to open their doors this morning, and radio and TV are expected to go off the air. The most critical impact has been the shutting down of the telephone system--the exchanges are manually (womanly) operated. This has brought all bureaucracies, especially the government, to a standstill.

When plans for the one-day stoppage in observance of the UN Womens' Year were first announced, Iceland's men treated it as a joke. Today, however, one man was quoted to the effect that the only way to cope is for the men immediately to stage a sympathy strike. (UNCLASSIFIED)

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EC Seeks OECD Help for Europe's Ailing
Steel Industry

3 | The EC announced on October 23 that it is asking the OECD to schedule an "urgent discussion" of problems facing European steel industries. It hopes to persuade the OECD members to establish voluntary controls on prices and exports.

2 | During an informal meeting earlier in the week with OECD officials and US, Swedish and Japanese representatives, an EC official said that the Commission is under growing pressure to deal with the acute problems facing the Community's steel industry. Accordingly, the official sought an early meeting of the principal OECD steel-producing and consuming countries. It was decided, however, to postpone a decision until after the participants consulted with their governments. The subsequent announcement, therefore, is a mark of the urgency with which the EC views the problem.

1 | The Commission noted that during May through July Community steel production dropped by 25 percent while prices fell by between 35 and 45 percent--compared with the same period last year. In fact, however, these figures are somewhat inflated; production actually dropped by about 18 percent.

3 | Pressure for unilateral measures is mounting within the Community, and the EC characterizes its action as an attempt to forestall such moves as an imposition of import controls. (CONFIDENTIAL)

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